



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Adopt a resolution authorizing the City Manager to execute the City of Lodi Letter of Agreement 03-SNR-00553 (LOA) between Sierra Nevada Customer Service Region (SNR) of the Western Area Power Administration (Western) and the City of Lodi for SNR to provide Shasta Rewinds and daily excess capacity and associated energy to Lodi (EUD)

MEETING DATE: March 5, 2003

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: That the City Council authorize the City Manager to execute the United States Department of Energy Western Area Power Administration (Western) Letter Agreement 03-SNR-00553 with the City of Lodi.

BACKGROUND INFORMATION: This Letter Agreement continues the current relationship with Western providing cost effective power through the rewinding of turbines for a Western hydro project and excess capacity available on the Western System. The Cost of this power is substantially below market and other NCPA resources, below \$30/mwh.

FUNDING: No net impact: Part of NCPA Budget

Alan N. Vallow
Electric Utility Director

PREPARED BY: Boris Prokop, Power Supply and Rates Manager

ANV/BP/lst

C: City Attorney

APPROVED:

H. Dixon Flynn - City Manager



Department of Energy
Western Area Power Administration
Sierra Nevada Customer Service Region
114 Parkshore Drive
Folsom, California 95630-4710

FEB 14 2003

Letter of Agreement 03-SNR-00553

Mr. Alan N. Vallow
Electric Utility Director
City of Lodi
1331 South Ham Lane
Lodi, CA 95242

Dear Mr. Vallow:

This Letter of Agreement 03-SNR-00553 (LOA) is made between the Sierra Nevada Customer Service Region (SNR) of the Western Area Power Administration (Western) and the City of Lodi for SNR to provide Shasta Rewinds and daily excess capacity and associated energy to Lodi.

SNR and Lodi agree to the following terms and conditions:

1. This LOA shall become effective on April 1, 2003, and shall remain in effect through March 31, 2004, except as otherwise provided in Sections 13 and 16 herein. All obligations incurred under this LOA shall be preserved until satisfied.

2. Excess capacity and associated energy shall be made available as follows:

2.1 Shasta Rewinds Excess Capacity (SREC):

2.1.1 Lodi will be allocated its percentage share (0.8%) of SREC as a result of participating in the Shasta Rewinds project in accordance with Contract 94-SAO-00047. Allocations will be based on the weekly average additional capacity available as determined in Contract 94-SAO-00047. SNR will offer SREC with at least a 50 percent capacity factor; however Lodi can preschedule SREC at less than a 50 percent capacity factor. The capacity factor associated with SREC shall not be more than 67 percent, unless agreed to by the Parties.

2.1.2 Five days prior to the beginning of each month, SNR will evaluate the upcoming estimated generation forecasts. Based on that evaluation, SNR will determine whether it is more beneficial to SNR to have Lodi purchase or return the energy associated with SREC. SNR will notify Lodi in writing by facsimile or electronic mail whether SNR will make the energy

associated with SREC available on a purchase or return basis. If SNR offers SREC as a sale, it will be at the rates provided in Exhibit D to this LOA. If SNR offers SREC on an exchange basis, SNR will notify Lodi in writing by facsimile or electronic mail of the terms and conditions for the return to SNR of the energy associated with the SREC.

2.1.3 On Thursday of each week, by 3:00 p.m., SNR will notify Lodi of the amount of SREC and associated energy available for the following week (Monday through Sunday).

2.2 Daily Excess Capacity (DEC):

2.2.1 Five days prior to the beginning of each month, SNR will evaluate the upcoming estimated generation forecasts. Based on that evaluation, SNR will determine whether it is more beneficial to SNR to have Lodi purchase or return the energy associated with DEC. SNR will notify Lodi in writing by facsimile or electronic mail whether SNR will make the energy associated with DEC available on a purchase or return basis. If SNR offers DEC as a sale, it will be at the rates provided in Exhibit D to this LOA. If SNR offers DEC on an exchange basis, SNR will notify Lodi in writing by facsimile or electronic mail of the terms and conditions for the return to SNR of the energy associated with the DEC.

2.2.2 SNR will notify Lodi of the total amount of DEC and associated energy available to Lodi each day during the term of this LOA.

2.2.4 Lodi will have the right to request all or a portion of the DEC and associated energy available to Lodi.

2.2.5 SNR's preschedulers will confirm the requested amount, or a lesser amount, depending on the amounts requested and the criteria in Section 6.

3. SREC and DEC and associated energy may be curtailed to the extent required by an outage of one or more Central Valley Project generating units affecting SNR's ability to provide some or all of the SREC and DEC and associated energy for the duration of the outage. SREC and DEC may also be curtailed to the extent required by increased project use pumping which reduces the amount of SREC and DEC and associated energy available. SREC and DEC and associated energy may also be curtailed to the extent required by either a reduction in transmission capability on the California-Oregon Intertie affecting SNR's ability to import power from the Northwest or a reduction in the transmission capability on the Central Valley Project transmission system. To the extent that SNR must curtail deliveries hereunder, SNR will immediately notify Lodi and will reduce Lodi's schedule at the commencement of the next applicable scheduling hour that begins at least 30 minutes after the notification. SNR will

determine the extent to which it curtails the SREC and DEC and associated energy. If necessary, curtailments will first apply to DEC, then to SREC.

4. The receipt of SREC and DEC and associated energy shall not reduce Lodi's obligations to take its minimum annual energy entitlement and capacity requirements provided under existing contracts between Western and Lodi and/or the Northern California Power Agency (NCPA). The 35 percent minimum take requirement set forth in NCPA's scheduling contract applies to NCPA's entire maximum coincident allocation as it is defined in such contract.

5. Exhibit A sets forth the authorized representatives for Lodi and SNR for scheduling and real-time transactions.

6. Lodi may request an amount of SREC and DEC and associated energy, in accordance with Exhibit B, not to exceed the balance of its unmet expected peak load for the month after adjustment for its current contract rate of delivery. Lodi's peak load shall not include wholesale sales for resale. Lodi shall provide its expected peak load forecast for a month by the 20th day of the preceding month.

7. SREC and DEC will be scheduled on the day and by the time specified in Exhibit B. Once scheduled, any changes to scheduled quantities requested by Lodi shall be implemented only if agreed to by SNR.

8. Lodi will not schedule amounts of SNR preference products, including commercial firm power, SREC and DEC, in excess of its load.

9. SREC and DEC and associated energy will be delivered to the point of delivery designated in Exhibit C. Transmission service beyond the point of delivery shall be the responsibility of Lodi.

10. Subject to Sections 2.1.2 and 2.2.1, if SNR sells the SREC and/or DEC to Lodi, SNR will bill Lodi for SREC and/or DEC based on the scheduled energy. In the event that SNR curtails either SREC and/or DEC, Lodi will be required to pay for only that amount of SREC and/or DEC actually received. Exhibit D specifies the rate for SREC and DEC provided hereunder.

11. In order to ensure SNR's ability to continue to provide reliable, firm electric service to all of its preference customers, Lodi hereby agrees to pay all or a portion of its bill under this LOA, as described herein, directly to SNR's power suppliers.

11.1 Lodi and SNR agree that Lodi assumes no obligation to the specified power suppliers for such payments and that they are made as an administrative and accounting accommodation to SNR. Lodi and SNR further agree that all obligations for supply of Lodi's power allocation hereunder remain with SNR.

11.2 SNR shall determine the amount of Lodi's bill under this LOA to be paid to power suppliers. Such amount shall be deducted from Lodi's bill under this LOA. In no event shall Lodi be obligated to pay an amount in excess of its bill under this LOA, based on scheduled or actual use quantities.

11.3 Any failure to pay a power supplier in the time period specified on Lodi's bill shall constitute nonpayment of a portion of Lodi's bill and shall be subject to the General Power Contract Provisions attached hereto for nonpayment of bills in full when due.

11.4 Agreement by Lodi to pay a portion of SNR's power purchase contract obligations shall not be contingent upon Congress making appropriations for expenditures by Western for such power purchase contract.

12. Billing and payments for the power provided hereunder shall be as follows:

12.1 Billing and payment for power provided pursuant to this LOA shall be in accordance with the Billing and Payment provisions (Article 13) of the General Power Contract Provisions attached hereto. Bills shall be sent to Lodi at the following address:

City of Lodi
Electric Utility
Attn: Accounts Payable
1331 South Ham Lane
Lodi, CA 95242

12.2 In accordance with Section 11 above, SNR shall notify Lodi of the power suppliers, amount to be paid to each power supplier, and all other necessary information, by specifying that information on Lodi's bill.

12.3 Lodi shall pay the designated power suppliers the amounts due within the payment period specified on its bill.

12.4 Lodi shall make payments to the power suppliers by an electronic transfer of funds or check, at the option of Lodi, unless otherwise agreed between SNR and Lodi. Lodi shall send the documentation of payments sent to designated power suppliers to SNR as soon as practicable.

12.5 Payments due to Western may be wired for electronic transfer deposit to Western's sub-account (American Bank Association No. 021030004, Subtype 10) of the Treasury Department's account with the Federal Reserve Bank in New York City, (BNF = AC-89001602). SNR will include account number information with the bill. Lodi may also send payments in check form to the following address:

Department of Energy
Western Area Power Administration
File No. 51587
Post Office Box 60000
San Francisco, CA 94160-1580

12.6 If agreed to by the Parties, SNR may credit monthly amounts due Lodi for power sold to SNR, under various contracts SNR may have for purchasing power from Lodi, against the amounts due to SNR under this LOA. In the event the amount due by Lodi to SNR is less than the amount owed by SNR to Lodi, then SNR shall pay the difference to Lodi. In the event the amount due by SNR to Lodi under those purchase power contracts is less than the amount owed by Lodi to SNR under this LOA, then Lodi shall pay the difference to SNR.

13. In the event that Contract 14-06-200-2948A is terminated, this LOA shall terminate concurrently; Provided, That all outstanding energy return and payment obligations incurred prior to termination of this LOA shall be preserved until satisfied.

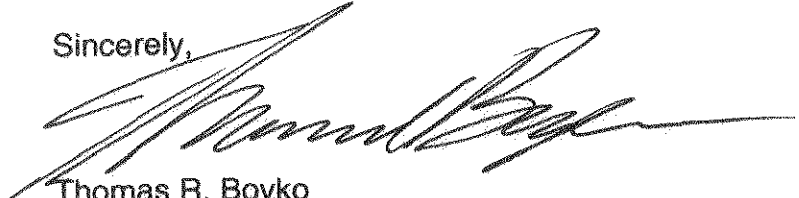
14. The Authorized Representatives; Posting, Response, and Confirmation Time Schedule; Point of Delivery; and the Rate for SREC and DEC with Associated Energy are set forth in Exhibits A, B, C, and D, respectively. Exhibits A, B, C and D are attached hereto, and each shall be in force and effect in accordance with its terms until superseded by a subsequent exhibit or termination of this LOA.

15. The General Power Contract Provisions dated July 10, 1998, attached hereto, are hereby made a part of this LOA the same as if they had been expressly set forth herein; Provided, That Articles 20 through 30 shall not apply.

16. Either Party may terminate this LOA upon a thirty-day written notice given to the other Party.

If you are in agreement with the terms and conditions written above, please indicate your approval by signing and dating both originals of this LOA, and return one original to Gloria Davis (N6205) at this office. If you have any questions, please contact Jeanne Haas at (916) 353-4438, or Hiroshi Kashiwagi at (916) 353-4477.

Sincerely,



Thomas R. Boyko
Power Marketing Manager

In Duplicate

Seal

CITY OF LODI

By: 

Title: CITY MANAGER

Attest:

Address: 221 W. PINE STREET

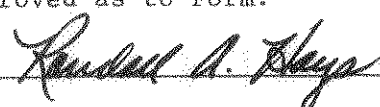
By: _____

LODI CA 95240

Title: CITY CLERK

Date: _____

Approved as to Form:

By: 

Title: CITY ATTORNEY

EXHIBIT A
(Authorized Representatives)

1. This Exhibit A, made to be effective under and as a part of Letter of Agreement 03-SNR-00553 (LOA), shall remain in effect until superseded by another Exhibit A or upon termination of this LOA.
2. SNR's authorized representative for scheduling transactions shall be its preschedulers, who can be contacted by telephone at (916) 353-4091 or (916) 353-4092, by fax at (916) 353-2210, or by electronic mail at presched@wapa.gov. For real-time transactions, SNR's dispatchers are the authorized representatives. Lodi can contact SNR's dispatchers at (916) 353-2200.
3. The authorized representative for scheduling or real-time transactions for Lodi shall be its scheduling agent, the Northern California Power Agency, who can be contacted by telephone at (916) 781-4281, by fax at (916) 781-4239, or by electronic mail at kevinm@ncpa.com.

EXHIBIT B
(Posting, Response, and Confirmation Time Schedule)

1. This Exhibit B, made to be effective under and as a part of Letter of Agreement 03-SNR-00553 (LOA), shall remain in effect until superseded by another Exhibit B or upon termination of this LOA.

2. The following table outlines the normal sequence of events, provided there is no prescheduling holiday, observed by SNR and Lodi, during a particular week:

If daily excess capacity is available on:	SNR posts the amount available to Lodi by 12:00 p.m., Lodi responds by 1:00 p.m., SNR confirms the amount by 3:00 p.m. on the prior:	Lodi schedules by 9:00 a.m. on the prior:
Sunday	Thursday	Friday
Monday	Thursday	Friday
Tuesday	Friday	Monday
Wednesday	Monday	Tuesday
Thursday	Tuesday	Wednesday
Friday	Wednesday	Thursday
Saturday	Wednesday	Thursday

3. SNR reserves the right to modify this Exhibit B if SNR deems it necessary.

EXHIBIT C
(Point of Delivery)

1. This Exhibit C, made to be effective under and as a part of Letter of Agreement 03-SNR-00553 (LOA), shall remain in effect until superseded by another Exhibit C or upon termination of this LOA.
2. SNR, under terms and conditions stipulated in this LOA, will furnish excess capacity and associated energy to Lodi at the Tracy 230-kV Substation at a delivery voltage of 230 kV.
3. Delivery of excess capacity and associated energy to the point indicated will be subject to available transmission capability.

EXHIBIT D
(Rate for SREC and DEC with Associated Energy)

1. This Exhibit D, made to be effective under and as a part of Letter of Agreement 03-SNR-00553 (LOA), shall remain in effect until superseded by another Exhibit D or upon termination of this LOA.
2. The rate for SREC and DEC with associated energy shall be comprised of:
 - 2.1 The estimated Pacific Gas & Electric Company's full thermal production rate (at the time of the excess capacity sale) used to determine Energy Account No. 2 transactions, currently 20.16 mills per kWh;
 - 2.2 An administrative adder of 0.5 mills per kWh;
 - 2.3 The Central Valley Project nonfirm transmission rate of 1.0 mills per kWh; and
 - 2.4 Any additional purchase power or other costs incurred by SNR due to decisions made to the benefit of the excess capacity program. SNR will assess this charge after the fact, once all costs are determined.
3. SNR may change the rate for SREC and DEC with associated energy by giving Lodi 30 days advance written notice. SNR will modify Exhibit D to reflect the change in rate.

RESOLUTION NO. 2003-32

A RESOLUTION OF THE LODI CITY COUNCIL APPROVING LETTER AGREEMENT NO. 03-SNR-00553 BETWEEN THE SIERRA NEVADA CUSTOMER SERVICE REGION OF THE WESTERN AREA POWER ADMINISTRATION AND THE CITY OF LODI, WHICH PROVIDES SHASTA REWINDS AND DAILY EXCESS CAPACITY AND ASSOCIATED ENERGY TO LODI, AND FURTHER AUTHORIZING THE CITY MANAGER TO EXECUTE LETTER AGREEMENT ON BEHALF OF THE CITY OF LODI

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NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby approve Letter Agreement No. 03-SNR-00553 between the Sierra Nevada Customer Service Region of the Western Area Power Administration and the City of Lodi, which provides Shasta Rewinds and daily excess capacity and associated energy to Lodi; and

BE IT FURTHER RESOLVED that the Lodi City Council hereby authorizes the City Manager to execute said Letter Agreement on behalf of the City of Lodi.

Dated: March 5, 2003

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I hereby certify that Resolution No. 2003-32 was passed and adopted by the Lodi City Council in a regular meeting held March 5, 2003 by the following vote:

AYES: COUNCIL MEMBERS – Beckman, Hansen, Howard, Land, and Mayor Hitchcock

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None



SUSAN J. BLACKSTON
City Clerk